

# Economy Update



» WEEKLY NEWSLETTER

» 28 May-1 June 2012

## Dear Reader,

Renewed fears about a break-up of the Euro-zone affected financial markets globally, as solutions to the debt crisis facing the weaker Euro nations remained elusive. The slowdown at home was further highlighted by the release of the fourth quarter GDP data which showed a continuous decline. GDP growth for 2011-12 now stands at a nine-year low of 6.5 per cent. CII has recommended a large number of measures to reverse this slowdown, especially in the manufacturing sector. The investment cycle needs to be kick-started by reducing interest rates and speeding up investments in large infrastructure projects.

Chandrajit Banerjee  
(Director General, CII)

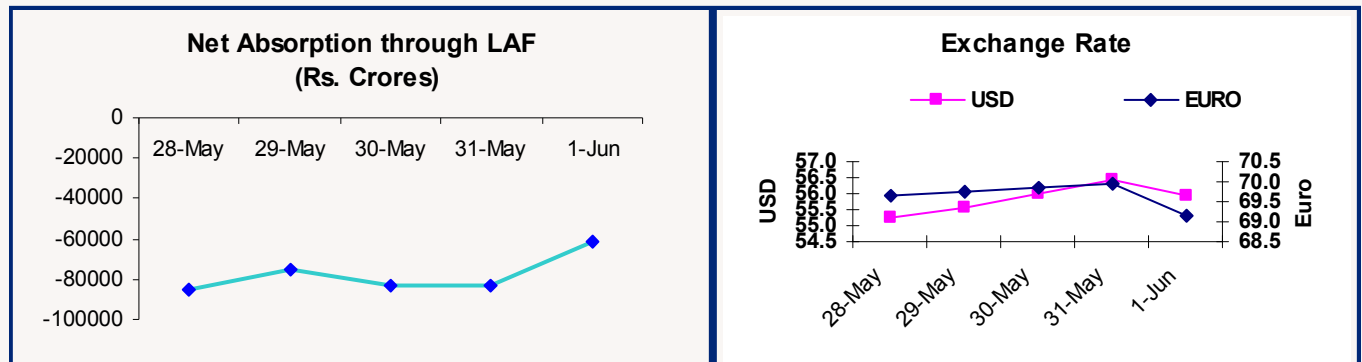
## INDICATORS

- » The revised estimates for **India's GDP** growth stood at 6.5 per cent in the fiscal year 2011-12, with the agriculture sector growing at 2.8 per cent, the services sector growing at 8.9 per cent and the industrial sector at 3.4 per cent.
- » India's annual GDP growth slumped in the fourth quarter of 2011-12 to a nine-year low of 5.3 per cent
- » **Foreign Exchange Reserves** as on June 1, 2012 stood at US\$ 288 billion, declining by US\$ 2 billion from the previous week.
- » At the **Treasury bills** auctions held during the week, the YTM for 91-day T-Bills stood at 8.4%.
- » The **call money rates** as on June 1, 2012 traded in the range of 7.4-8.0%.
- » One year **LIBOR** for US\$ as on May 30, 2012 stood at 1.07%



## Policy Development

- » Amidst protests against the recent hike in petrol prices, government **rolled back the price increase** by 2 Rupees. However, oil companies will keep adjusting rates and will review petrol price again on June 15.
- » In response to the slowing down of investment, the Prime Minister has approved the setting up of the **Investment Tracking System** to ensure speedy implementation of large projects. The National Manufacturing Competitiveness Council shall track all public projects with an investment of Rs 1000 crore and above, while the Department of Financial Services shall monitor projects in the private sector.
- » Based on the recommendations of **Foreign Investment Promotion Board (FIPB)** in its meeting held on May 9, 2012, Government has approved 25 Proposals of Foreign Direct Investment amounting to Rs. 2973.40 crore.



## BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 18 May ,2012	% Variation over Fortnight	Year
Total Bank Credit	46,480.8	0.1	17.4
Food Credit	1,052.1	6.4	58.1
Non Food Credit	45,428.7	-0.1	16.9
Aggregate Deposit	60,582.9	-0.03	13.8
Broad Money (M3)	75,568.3	0.1	13.3
Credit Deposit Ratio	76.7		

Source: RBI

## EQUITY MARKETS

- » Sentiments in global markets remained bearish on account of fears of Euro-zone breakup, US economic relapse and a sharp slowdown in China. Asian markets suffered the most, as investors fled to safe assets.
- » BSE Sensex fell 6.4 percent in May, a month marked by intense worries about the fate of the euro zone, which is exposing India's vulnerabilities as an economy that needs capital inflows to bridge its current account deficit.
- » Total turnover during the week on BSE stood at Rs. 8,658 crore and on NSE at Rs. 49,258 crore

Global Stock Indices	Closing Value as on 1 June 2012	Weekly Change (%)
NYSE: DJIA	12,118.57	-2.7
FTSE 100	5,260.19	-1.7
Nikkei 225	8,440.25	-1.6
Straits Times	2,745.71	-1.0
KOSPI	1,834.51	1.1

Source: Yahoo Finance

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	-96.4	791.4
Year -to-date FII (US\$ million)	8,473.6	1,531.1
Weekly Mutual Funds# (Rs Crore)	-717.5	4354.8

Source: SEBI #as on 31 May, 2012

Indian Equity Indices	Closing Value on 1 June 2012	Week's % Change
BSE SENSEX	15,965.16	-1.6
BSE 500	6,177.22	-1.5
S&P CNX NIFTY	4,841.60	-1.6
S&P CNX 500	3,851.95	-1.5

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for July delivery closed down \$3.30 at \$83.23 per barrel.
- » New York spot price for Gold was US\$ 1,619.7 per ounce as on June 1, 2012, up by US\$ 50.7 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 2 June 2012	Week's % Change
MCX AGRI	3480.5	-1.0
MCX METAL	4852.5	-1.0
MCX ENERGY	3129.72	-7.3
MCX COMDEX	3723.7	-3.1

Source: MCX, NCDEX

## INDUSTRY

### Telecommunications

» The Union Cabinet approved the **National Telecom Policy** on May 31, 2012. The policy seeks to provide a predictable and stable policy regime for a period of about ten years. It is meant to increase rural teledensity from the current level of around 39 to 70 by 2017, simplify the licensing regime through Unified Licensing, de-linking of spectrum from license, online real time submission and processing, provide free roaming and full mobile number portability, among other facilities.

### Biotechnology

» Ministry of Science and Technology announced a new scheme called **BIRAC** (Biotechnology Industry Research Assistance Council) which endeavors to support entrepreneurs through granting them **Biotechnology Ignition Grant (BIG)**. This scheme is designed to stimulate commercialization of research discoveries by providing very early stage grants for the development and maturation of discoveries into marketable products or intellectual property (IP).

BSE Indices	Closing Value on 1 June 2012	Week's % Change
AUTO INDEX	8,680.30	-6.0
BANDEX	10,684.60	-2.0
BSE CAPITAL GOODS	8,862.84	-3.5
BSE CONSUMER DURABLE	6,155.76	-2.3
BSE FMCG	4,591.16	0.0
BSE HEALTHCARE	6,556.90	-1.3
BSE INFOTECH	5,552.27	0.5
BSE MID CAP	5,821.60	-1.3
BSE SMALL CAP	6,194.40	-2.0
BSE TECK INDEX	3,217.20	0.3
METAL INDEX	9,934.80	-1.5
OIL & GAS INDEX	7,427.61	-2.0

Source: BSE

CNX Segment Indices	Closing Value on 1 June 2012	Week's % Change
CNX NIFTY Junior	9440	-0.8
CNX MIDCAP	6785	-1.9
BANK NIFTY	9267.6	-2.0
CNX IT	5903	0.4
CNX Realty	204.6	-1.6
CNX Infrastructure	2141	-1.5

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending May 26, the advance figure for seasonally adjusted initial claims was 383,000, an increase of 10,000 from the previous week's revised figure of 373,000.
- » Non farm payroll employment changed little in May and the unemployment rate was essentially unchanged at 8.2 percent. Employment increased in health care, transportation and warehousing, and wholesale trade but declined in construction

### Europe

- » According to estimates issued by Eurostat, The euro area (EA17) seasonally-adjusted unemployment rate was 11.0% in April 2012, stable compared with March. It was 9.9% in

April 2011. The EU27 unemployment rate was 10.3% in April 2012, compared with 10.2% in March. It was 9.5% in April 2011.

### Asia

- » Hong Kong's foreign currency reserve assets reached \$281.7 billion by the end of October, 2011, up \$4.1 billion compared to the end of September, according to the Hong Kong Monetary Authority
- » In Singapore, the Export Price Index decreased 0.6 per cent in April 2012, reversing the 0.6 per cent rise in the previous month. The Oil index fell 1.5 per cent while the Non-oil index declined 0.3 per cent

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